

Message Text

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ACTION EB-07

INFO OCT-01 NEA-09 ISO-00 COME-00 PA-02 PRS-01 USIA-15

OPIC-06 OMB-01 CEA-01 CIEP-02 SS-15 NSC-05 XMB-04

FRB-01 AID-05 SP-02 /077 W

----- 124085

R 220800Z APR 75

FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC 8261

DEPARTMENT OF TREASURY

UNCLAS NEW DELHI 5380

E.O. 11652: N/A

TAGS: OVIP (SIMON, WILLIAM E) IN

SUBJECT: EDITORIAL COMMENTS ON SECRETARY SIMON'S BOMBAY SPEECH

FOLG SENT ACTION COLOMBO INFO NEW DELHI AND BOMBAY FROM MADRAS

APR 21, REPEATED TO YOU.

QTE

MADRAS 0498

E.O. 11652: N/A

TAGS: OVIP (SIMON, WILLIAM E.)

SUBJECT: EDITORIAL COMMENTS ON SECRETARY SIMON'S

BOMBAY SPEECH

COLOMBO FOR SECRETARY SIMON

1. WE ARE TRANSMITTING THE TEXT OF AN EDITORIAL FROM APRIL 21

HINDU COMMENTING ON THE SECRETARY'S ADDRESS TO THE INDO-

AMERICAN CHAMBER OF COMMERCE IN BOMBAY.

2. QTE. INDIAN POLICY-MAKERS ARE AWARE THAT SOMETHING HAS

TO BE DONE SOON TO OVERCOME THE INDUSTRIAL STAGNATION AND THE

RESULTANT WIDESPREAD UNEMPLOYMENT AS WELL AS THE INFLATIONARY

PRESSURES. THE NEED TO DIVERSIFY AND EXPAND EXPORTS TO

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NARROW DOWN, IF NOT ELIMINATE THE YAWNING BALANCE OF PAYMENTS

DEFICIT, HAS ALSO BEEN IDENTIFIED. BUT WHEN IT COMES TO PURPOSEFUL ACTION, VAGUE FEARS, IDEOLOGICAL PREJUDICES AND POLITICAL BIAS HAVE BEEN ALLOWED TO BLOCK IT. THE U.S. TREASURY SECRETARY, MR. WILLIAM E. SIMON'S ADDRESS TO THE INDO-AMERICAN CHAMBER OF COMMERCE ON FRIDAY AT BOMBAY SHOULD SERVE TO CLEAR SOME OF THE COBWEBS OF SUCH INHIBITIVE THINKING AND BRING OUT THE MUTUAL GAINS THAT CAN RESULT FROM LARGER INTERNATIONAL ECONOMIC CO-OPERATION IN GENERAL AND BETWEEN THE U.S. AND INDIA IN PARTICULAR. IT IS USEFUL TO BE REMINDED THAT WITH OUR AVERAGE ANNUAL EXPORTS TO THE UNITED STATES AT ABOUT DLS400 MILLIONS (OR 15 PERCENT OF INDIAN EXPORTS) DURING 1971-73, AND ANNUAL IMPORTS FROM THAT COUNTRY AT DLS900 MILLIONS, THE U.S. IS OUR MOST IMPORTANT TRADING PARTNER. BUT VIEWED IN THE PERSPECTIVE OF THE PERFORMANCE OF SUCH SMALL COUNTRIES AS SINGAPORE AND TAIWAN WHO, IN SPITE OF THEIR MUCH SMALLER POPULATIONS AND GNP, HAVE ACHIEVED MUCH VASTER TRADE WITH THE U.S., THERE IS CERTAINLY SCOPE FOR A TREMENDOUS GROWTH IN INDIA'S TWO-WAY TRADE WITH THAT COUNTRY. MR. SIMON'S PLEA FOR THE LOWERING OF THE TRADE BARRIERS AND HIS ASSURANCE OF PREFERENTIAL TREATMENT TO DEVELOPING COUNTRIES (THEY SPECIFICALLY INCLUDE INDIA) BY PROVIDING THEM WITH DUTY FREE TREATMENT FOR ELIGIBLE EXPORTS CAN HOWEVER BE BUT PART OF THE ANSWER. IT WILL NOT DO FOR INSTANCE FOR DEVELOPING COUNTRIES TO OPEN THE FLOODGATES OF UNRESTRICTED IMPORTS THAT CAN SUFFOCATE THE AS YET HALTING INDIGENOUS INDUSTRIAL EFFORT. NOR IS THERE THE FOREIGN EXCHANGE TO SUSTAIN SUCH IMPORTS. AMERICAN BUSINESSMEN MAY FEEL DISCOURAGED AND FRUSTRATED IN THEIR ATTEMPTS TO SELL THEIR PRODUCTS IN INDIA. PART OF THE FRUSTRATION CAN ALSO ARISE FROM THE CHOICE OF THE PRODUCTS THAT HAVE LITTLE RELEVANCE TO THE NEEDS AND PRIORITIES OF A POOR NATION HUSBANDING ITS SCARCE RESOURCES AND HAVING TO MAKE TOUGH CHOICES ALL THE TIME. WITH THE BALANCE OF INDO-U.S. TRADE BEING AS IT IS IN FAVOR OF THE LATTER, IT IS OBVIOUS THAT GREATER ATTENTION HAS TO BE PAID TO EXPAND INDIAN EXPORTS TO AMERICA RATHER THAN IMPORTING MORE FROM IT, EVEN ALLOWING FOR THE INTER-LINKED NATURE OF BOTH FACETS OF THE TRADE. IF TAIWAN EXPORTED DLS9 BILLIONS WORTH IN ONE RECENT YEAR, OF WHICH DLS1.7 BILLIONS WENT TO THE U.S. OR A TINY SINGAPORE EXPORTED DLS613 MILLIONS UNCLASSIFIED

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WORTH OF ITS PRODUCTS TO THE U.S., THE POINT TO REMEMBER IS THAT THEY HAD THE PRODUCTS, IN DEMAND IN THE IMPORTING COUNTRY, ON OFFER AT COMPETITIVE PRICES. IF INDIA IS TO MULTIPLY MANY TIMES ITS EXPORTS TO THE DEVELOPED COUNTRIES, IT IS ALSO OBVIOUS THAT IT CANNOT MERELY RELY ON ITS TRADITIONAL EXPORTS OF RAW MATERIALS AND PRIMARY PRODUCTS, TRADE IN WHICH HAS REACHED MORE OR LESS SATURATION POINT. MASSIVE INDUSTRIALIZATION WITH IMPORTED TECHNOLOGY WHERE NECESSARY

AND UTILISING THE COMPARATIVELY CHEAP AND ABUNDANT RESERVOIR OF INDIAN MANPOWER ARE OBVIOUSLY THE KEY TO CREATING EXPORT SURPLUSES. IT IS LARGE-SCALE FOREIGN INVESTMENT AND NEW TECHNOLOGY COMING WITH IT THAT HAVE TRANSFORMED SMALL NATIONS LIKE SINGAPORE OR TAIWAN OR THE WAR-DEVASTATED GERMANY AND JAPAN TO INDUSTRIALIZE RAPIDLY. THE REALIZATION OF THIS TRUTH SEEMS TO BE SLOWLY GETTING THE BETTER OF THE HISTORICAL PREJUDICES AND DOGMATIC OBJECTIONS IN THIS COUNTRY TO FRUITFUL FOREIGN INVESTMENT. THE FACT THAT EVEN RUSSIA HAS PRAGMATICALLY WELCOMED BIG FOREIGN COMPANIES TO SET UP PRODUCTIVE FACILITIES ON ITS SOIL SHOULD OVERCOME RESISTANCE EVEN AMONG THE HARD-BOILED OBJECTORS TO THEIR ENTRY IN INDIA. MR. SIMON'S STATEMENT THAT THE GOVERNMENT OF INDIA HAS MADE IT KNOWN RECENTLY THAT IT CONSIDERS FOREIGN INVESTMENT AN IMPORTANT MECHANISM IN ACQUIRING NEEDED INDUSTRIAL TECHNOLOGY AND FOR EXPANDING HIGH TECHNOLOGY EXPORTS MAY CONFIRM THE RATHER BELATED AWAKENING HERE. IT IS TRUE THAT THE IMPORT OF CAPITAL INVESTMENT AND TECHNOLOGY HAS TO BE SELECTIVE AND GEARED ALSO TO OUR SOCIAL NEEDS. MULTINATIONALS HAVE ALSO TO BE DISCIPLINED TO CONFORM TO THEM. THE SETTING UP OF THE INDO-U.S. JOINT COMMISSION AND THE ECONOMIC AND COMMERCIAL SUB-COMMISSION UNDER IT SHOULD HELP EXPLORE THE SCOPE FOR SUCH INVESTMENT. BUT AS MR. SIMON TOOK CARE TO POINT OUT, IN THE FREE ENTERPRISE UNITED STATES THE GOVERNMENT CAN ONLY OFFER ITS GOOD OFFICES IN ESTABLISHING LIAISON BETWEEN THE COLLABORATING PARTIES IN SPECIFIC CASES. THE JOINT BUSINESS COUNCIL WHICH IS NOW BEING FORMED WITH THE HELP OF THE FICCI AND THE U.S. CHAMBER OF COMMERCE CAN PLAY A MORE DIRECT ROLE IN BRINGING ABOUT INVESTMENT AND COLLABORATION TIES BETWEEN THE ENTREPRENEURS OF BOTH COUNTRIES. AS EQUITY-BASED PARTICIPATION OF FOREIGN INVESTORS HAS THE MERIT OF ENSURING EFFICIENT WORKING OF AN INDUSTRY,--THE FOREIGN INVESTOR HAS A STAKE IN EARNING AN ADEQUATE RETURN -- THE INDIAN GOVERNMENT

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WOULD IN FACT BE WISE TO PREFER IT TO FOREIGN AID OR, FOR THAT MATTER, LOANS. WITH THE MORE REALISTIC ATTITUDE THAT IS EMERGING IN NEW DELHI, IT IS NOW UPTO THE BUSINESSMEN OF BOTH INDIA AND THE U.S. TO WORK TOGETHER TO ENLARGE THE AREAS OF AMERICAN INVESTMENT IN INDIA IN DESIRABLE FIELDS TO INCREASE THE VOLUME OF TRADE AND THUS ALSO PAVE THE WAY TO STRENGTHENING THE FRIENDLY TIES BETWEEN THE WORLD'S TWO LEADING DEMOCRACIES.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC CONDITIONS, SPEECHES, CHAMBERS OF COMMERCE, FOREIGN TRADE
Control Number: n/a
Copy: SINGLE
Draft Date: 22 APR 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975NEWDE05380
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750141-0114
From: NEW DELHI
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750429/aaaabaod.tel
Line Count: 163
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: ShawDG
Review Comment: n/a
Review Content Flags:
Review Date: 06 OCT 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <06 OCT 2003 by SilvaL0>; APPROVED <02 JAN 2004 by ShawDG>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: EDITORIAL COMMENTS ON SECRETARY SIMON'S BOMBAY SPEECH FOLG SENT ACTION COLOMBO INFO NEW DELHI AND BOMBAY FROM MADRAS
TAGS: OVIP, IN, (SIMON, WILLIAM E)
To: STATE TRSY
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006